

INFORMATION BULLETIN

WORKFORCE INVESTMENT ACT

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TO: WORKFORCE DEVELOPMENT COMMUNITY

SUBJECT: PUBLIC COMMENT—RECOMMENDED DISLOCATED WORKER
ALLOCATION FORMULA POLICY

The purpose of this information bulletin is to introduce the Dislocated Worker Allocation Formula Ad Hoc Committee's (Committee) recommended policy change to the Workforce Investment Act (WIA) Dislocated Worker Sub-state Allocation Formula. The policy recommends a change in the factors which determine the distribution of WIA Dislocated Worker 60 Percent funds to California's 50 Local Workforce Investment Areas beginning in State Fiscal Year 2007-08. This bulletin also introduces an application of a 90 percent hold-harmless provision. The Committee's recommended policy is attached for your review.

The State Board is welcoming [public comment](#) on the recommended policy from October 13, 2006, to November 13, 2006.

If you have any questions about this bulletin, please contact Tom Bates at tbates@cwib.ca.gov or 916-324-3038.

/S/ BOB HERMSMEIER
Chief
Workforce Investment Division

Attachment

Dislocated Worker Allocation Formula Ad Hoc Committee
Recommended Dislocated Worker Allocation Formula Policy
Public Comment: October 13 to November 13, 2006

Background:

Late in 2005, an informal workgroup formed by the California Workforce Investment Board (State Board) and the Employment Development Department (EDD) recommended that the State prepare a report that assessed issues and alternatives related to the Dislocated Worker (DW) 60 Percent funding allocation formula. The EDD released a draft of that report in June 2006.

During this year's budget hearing the State Legislature asked questions about the DW allocation formula, specifically as to the effects of federal changes in one of the formula factors—Mass Layoff Statistic (MLS). As a result of those changes, data on the MLS was compounding issues of declining and volatile resources to some Local Workforce Investment Area's (LWIA). A provision for this year's budget bill requires that EDD, in consultation with the State Board, report back to the legislature on this subject no later than January 10, 2007.

In June 2006, the State Board made a decision to form an Ad Hoc Committee (Committee) to address the issues related to the DW allocation formula. Specifically, the purpose of the Committee was to develop recommendations to the State Board regarding possible revisions to the DW sub-state funding formula. To this end, the Committee, at its initial meeting (Aug. 23, 2006), adopted principles to guide its deliberations and development of recommendations. The Committee agreed on the following principles:

1. Recommend a formula that distributes DW resources to LWIAs in an equitable manner.
2. Focus their efforts on selecting the best data and constructing the best possible formula to forecast the incidence of worker dislocation and its impact on communities in a most cost effective manner.
3. Avoid data analyses of individual geographic distributions and the resulting distribution of funds among the LWIAs so as to prevent diversion of the discussion to a discussion of which LWIAs gain or lose funds from the proposed formula changes. This is not to say that the Committee will not analyze data to measure the impact the proposed formula allocations might have on LWIAs.
4. Recommend methods to mitigate the effects of transitioning to a new formula, particularly as it causes volatility in the distribution of funds among the LWIAs.
5. Recommend methods to mitigate year-to-year volatility in the distribution of funds among the LWIAs.

6. The Committee shall operate in accordance to the Bagley Keene Act. Accordingly, all Committee meetings will be public and conducted according to the pertinent State Board by-laws and administrative procedures.

The Committee, in accordance with the Bagley Keene Act, held four public meetings. The Committee meetings were conducted within a predetermined timeframe that was established to ensure that the Committee accomplished its mandate. The Committee met on the following dates in Sacramento:

- August 23, 2006
- September 13, 2006
- September 27, 2006
- October 10, 2006

Recommendations:

The Committee has proposed that its final recommendations be made available for public comment. The final recommendations are as follows:

The DW allocation formula will use four factors in the sub-state funding formula, weighted as follows:

- Long Term Unemployment Insurance (UI) Claims—40 percent
- Mid Term UI Claims—30 percent
- Short Term UI Claims—10 percent
- Long Term Civilian Unemployment—20 percent

Note that the UI claims in each and every year will be arrayed into three parts (long-, mid-, and short-term), so that one-third of the total claimant pool is in each part. How this is split in terms of number of weeks on UI for each of the three categories may change from year-to-year.

The emphasis on the long-term and mid-term UI claimants is intended to tie the formula predominantly to the largest share of individuals meeting the definition of a DW, including those that have been laid off, are eligible for UI, and are least likely to return to previous industry or occupation.

Including a 10 percent share for short-term UI claimants is intended to track some of the revenue to eligible DW's who are likely to seek services through the local one-stop system but who are also returning to work soon.

The fourth component (long-term civilian unemployment) is intended to respond to indicators related to more general local economic conditions and community need.

Hold-Harmless and Phasing in the Formula

From the beginning of the Committee's deliberations, a key principle was to identify means to mitigate volatility in the formula so as to better assist LWIAs in planning and managing their service delivery strategies.

Hold-Harmless: The Committee recommended adoption of a hold-harmless provision for the DW sub-state formula allocations, which ensures a LWIA no less than 90 percent of its average percentage share from the prior two years.

Phasing In the Formula and Hold Harmless: The Committee recommended that, during the first-year transition, the hold harmless be based on each LWIA's average allocation share over the prior three years. The purpose of the recommendation was to capture in the calculation at least one additional year unaffected by the exclusion of government, agriculture, fishery and forestry from the MLS factor. The use of the prior three years is for one year only and thereafter the formula calculations would revert to using the prior two years.

Initially, the Committee was considering the use of a "stop-gain" provision, to be set at 110 percent of the average of the prior two years share of available revenue. In its final action however, the Committee *did not recommend a stop gain*, but recommended that each LWIA receiving 100 percent or more of its prior year allocation would be proportionately reduced in an amount to total the funding necessary to bring those LWIAs below the 90 percent hold-harmless level up to the 90 percent threshold. In effect, the Committee recommendation will equitably distribute the reductions proportionately to a larger pool of LWIAs than would a stop-gain provision.

The Committee held the position throughout its deliberations that DW Additional Assistance funds should not be used to balance inequities in the formula, but should rather be tied to actual layoff events and need emerging during the program year.

Next Steps toward State Board Adoption

The recommendation will go first to the State Board Administrative Committee on November 16, 2006, then, if approved, sent to the full State Board for action at its meeting in Sacramento on November 30, 2006. A provision for this year's budget bill requires that EDD, in consultation with the State Board, report back to the legislature on this subject no later than January 10, 2007.

Action:

Please send any comments or questions to Mr. Tom Bates at the following email address, tbates@cwib.ca.gov or by telephone at (916) 324-3038.